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PENNSTATE

College of Business Administration

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Pennsylvania Business Survey

August 1987

"No recession is in sight. No boom is in sight. Just more of the same slow persistent...growth that has become so...familiar of late."*

* (Alfred L. Malabre, Jr.; "The Outlook;" *Wall Street Journal;* July 21, 1987.)

Although the focus of Mr. Malabre's statement was on the situation in the U.S. economy as a whole, it appears to be quite appropriate with respect to the economic situation in Pennsylvania. **One is hard-pressed to find evidence of any pending uptick in economic activity in the Commonwealth.** However, Mr. Malabre goes on to point out that the current national expansion will soon become the longest peacetime period of uninterrupted growth on record. Although similar business cycle dates are not available for Pennsylvania, it is probably safe to say that much the same is true for the State, irregardless of our rather lackluster performance as of late.

June brought with it a fairly stable situation on the employment/unemployment front. The number of Pennsylvanians officially counted as employed dipped a seasonally adjusted 9,000, from 5.32 million in May to 5.31 million in June. Coupled with a similar rise in the civilian labor force, this resulted in a gain of nearly 20,000 in the number of unemployed and a slight 0.3 percentage point rise in the jobless rate to 5.7 percent, seasonally adjusted. All of the changes are quite small and, together, imply a holding pattern with respect to employment and unemployment for the month of June.

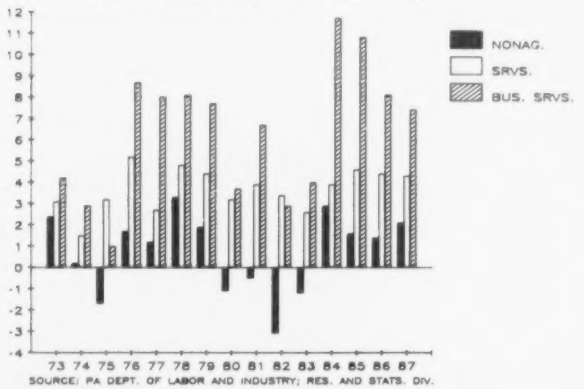
There appears to be little likelihood that general trends with respect to the nonagricultural job picture will change significantly anytime soon. **The bulk of all new jobs will continue to be generated in the Commonwealth's nonmanufacturing establishments well into the foreseeable future.** Specifically for June, nonmanufacturing continued its nearly continuous stretch of job gains since the early 1980s. Job levels in these establishments stood at a seasonally adjusted 3.88 million for the month, another record high. Through the first half of 1987, nonmanufacturing job levels stood 3.3 percent higher than in the same period of 1986.

The vast majority of all new jobs within nonmanufacturing continue to come from the service-producing side, specifically, from services itself. One issue that has moved to the forefront lately concerns the possible relationship between industry restructuring and the growth in services jobs. Often, when restructuring occurs, internal departments involved with such activities as accounting, public relations, and advertising, to name a few, are reduced or eliminated. Thereafter, these kinds of activities may be contracted out to outside firms in the service sector. Hence, **it is possible that at least some of the job gains being realized by the services industries recently simply represent jobs once maintained in-house.** Indeed, as shown in the accompanying chart, the "business services" component has been growing considerably faster than services as a whole in Pennsylvania.

While this does not necessarily prove that this trade-off is indeed occurring in the State, it does suggest that the possibility certainly exists. As an aside, eastern Pennsylvania may be situated nicely to house these "new" jobs as they spill over from the New York/New Jersey area.

Unfortunately, **it is the same old story in manufacturing** as these industries, at least in terms of the job situation, remained sluggish in June. For the month, manufacturing job levels held steady at a record low 1.03 million, seasonally adjusted. The decline in job levels, which started about mid 1984 after a brief recovery from the recessions of the early 1980s, has yet to be reversed. But as pointed out in the past, there are signs of life in these industries. Industrial power sales, a good measure of production trends, rose for the second consecutive month in June. Average daily steel production in Pennsylvania facilities rose for the fourth straight period. Additionally, the average factory workweek rose to a seasonally adjusted 41 hours for the first time ever.

GROWTH IN PA NONAGRICULTURAL, SERVICES, AND BUSINESS SERVICES JOBS
(percent change from year ago)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; RES. AND STATS. DIV.

As discussed in the July *Survey*, the average factory workweek tends to move positively with economic activity. However, its once reliable relationship with manufacturing job levels seems to have at least temporarily broken down in recent years. **Prior to 1982, a rising factory workweek usually resulted in subsequent rises in manufacturing job levels. Just the opposite was true when the workweek declined (see chart). Since then, the workweek has advanced sharply, while jobs continue to be lost.** That trend cannot hold indefinitely, so it would not be surprising to see a leveling off in manufacturing jobs should the workweek continue to rise.

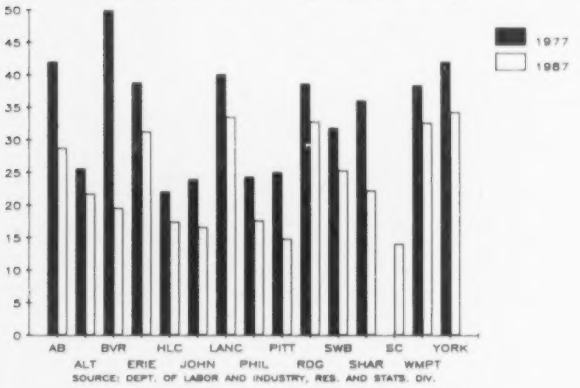
The difference in the manufacturing and nonmanufacturing job situations has changed the economic landscape of all regions of the State. The two accompanying charts

Economic Activity in Pennsylvania	UNADJUSTED DATA 1987 May	UNADJUSTED DATA 1987 June	UNADJUSTED DATA 1986 June	SEASONALLY ADJUSTED DATA 1987 May	SEASONALLY ADJUSTED DATA 1987 June	SEASONALLY ADJUSTED DATA 1986 June	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1987 May	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1987 June	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1986 June
Pennsylvania Industries	—								
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,923	4,956	4,833	4,897	4,915	4,787	107.3	107.7	104.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,885	3,908	3,766	3,863	3,881	3,737	119.8	120.4	115.9
Mining	32*	32	34	31	30	33	64.8*	63.3	68.9
Contract construction	224	234	213	222	224	203	120.5	121.6	110.1
Transportation	140*	139	139	138*	139	138	85.9*	86.1	86.0
Public Utilities	105	106	98	105	106	98	104.7	104.9	97.0
Wholesale trade	270	272	260	270	271	259	121.6	122.2	116.8
Retail trade	863*	871	837	865*	867	833	120.6*	120.9	116.2
Finance, insurance & real estate	287	291	280	287	288	277	131.9	132.5	127.4
Service & miscellaneous	1,272*	1,278	1,224	1,263*	1,269	1,214	146.5*	147.1	140.8
Federal government	141	141	140	140	140	139	109.4	109.3	108.2
State & local government	552*	544	540	543*	546	542	93.2	93.7	93.0
Manufacturing									
No. of wage and salary jobs (thous.)	1,036	1,046	1,061	1,034	1,034	1,049	77.1	77.1	78.2
Durable goods	589	593	605	586	585	597	72.3	72.2	73.7
Nondurable goods	448*	452	456	449*	449	453	84.3*	84.4	85.0
Ave. wkly. hrs. worked by prod. workers	40.7	41.1	40.3	40.9	41.0	40.2	103.5	103.7	101.7
Total wkly. person-hours worked (mils.)	28.6	29.2	29.0	28.7	28.7	28.5	74.6	74.9	74.4
Total wkly. payroll (mil. dols.)	284.0*	290.4	281.6	284.6*	286.1	277.6	126.7	127.4	123.5
Steel production (thous. tons)	1,079*	1,008	872	n.a.	n.a.	n.a.	44.3	46.2	40.0
Industrial electric power sales (mil. kwh)	3,482	3,700	3,613	3,517	3,627	3,522	95.2	98.2	95.4
Mining									
Anthracite coal (thous. net tons)	357	385	297	366	376	297	74.8	77.0	60.7
Bituminous coal (thous. net tons)	n.a.	n.a.	4,653	n.a.	n.a.	4,507	n.a.	n.a.	63.9
Construction contracts awarded (mil. dols.)									
Total	643.7	1203.3	822.1*	604.3	976.5	652.6*	187.8	303.5	202.8*
Residential building	279.7	357.1	326.3*	222.2	277.8	253.4*	157.9	197.4	180.0*
Nonresidential building	198.3	502.4	250.7*	239.5	454.1	227.0*	220.7	418.6	209.2*
Nonbuilding (utilities and public works)	165.7	343.8	249.1*	142.6	244.6	172.2*	196.8	337.5	237.6*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,289	5,359	5,289	5,318	5,309	5,240	110.7	110.5	109.0
Unemployed									
No. of persons (thous.)	300	354	419	305	320	384	76.1	79.8	95.9
Rate (percentage of labor force)	5.4	6.2	7.3						
Rate, seasonally adjusted				5.4	5.7	6.8			
Civilian labor force, no. of persons (thous.)	5,589	5,713	5,706	5,623	5,629	5,625	108.0	108.1	108.0
Initial claims for unemployment benefits	71,631	84,738	99,708	86,882	97,059	110,387	60.7	67.8	77.1

Consumer Prices, all items	Urban Indexes (1967 = 100) 1987 May	1987 June	1986 June	Percentage Change Month Ago	Year Ago
U.S. city average	338.7	340.1	327.9	+0.4	+3.7
Philadelphia	338.4	339.0	321.7	+0.2	+5.4
Pittsburgh	n.a.	338.9	328.6	n.a.	+3.1

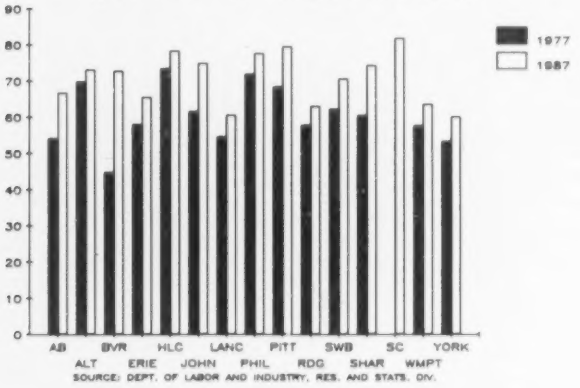
[1] Total includes workers on strike. * = figure revised † = figure for May 1986 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

MANUFACTURING JOB SHARES, PA METRO AREAS
(percent of all nonagricultural jobs)



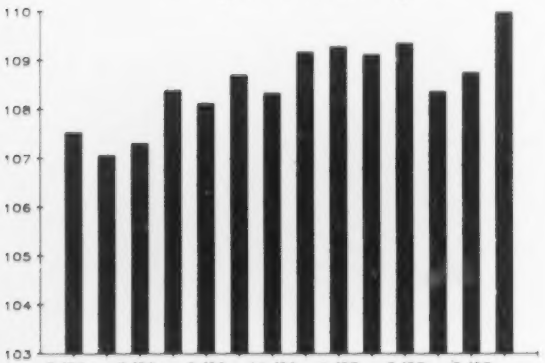
SOURCE: DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

SERVICE-PRODUCING JOB SHARES, PA METRO AREAS
(percent of all nonagricultural jobs)



SOURCE: DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

show that in each of the Commonwealth's metro areas, manufacturing accounted for a considerably smaller share of nonagricultural jobs in the first six months of this year relative to a decade ago. Similarly, service-producing's share has increased in each region. (1977 data for State College are not available.) Surprisingly, the three largest manufacturing economies, in terms of job shares, are found in the southeastern quarter of the Commonwealth. Among the lowest are found such surprises as Pittsburgh and Johnstown.

In dollar terms, construction contracts in Pennsylvania rose considerably in June after adjustment for normal seasonal trends. However, **for the year as a whole, contract values are up just 8.8 percent from the first six months of last year. This represents a considerable reduction in growth.** June's rise contributed greatly to the second consecutive gain in the Pennsylvania leading index.

— *William D. Anderson*

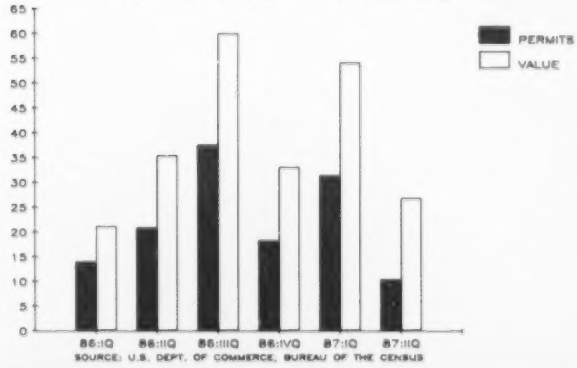
Housing Permits Report

Based on second quarter trends in permit authorizations, it appears that growth in residential construction activity may be slowing in Pennsylvania. This has been expected for several months (see earlier editions of the *Pennsylvania Business Survey*) due to moderate gains in the economy as a whole, a firming of mortgage rates, and rising housing prices. Overall, however, the news from the second quarter is far from bad.

In fact, 17,902 new housing units were authorized in the Commonwealth during the April-June period for a 9.2 percent gain from the same period a year ago. This follows a 43.4 percent annual gain in the first quarter of 1987. The number of single-family housing units authorized in the second quarter stood 10.4 percent higher than a year ago, while permits for multi-family dwellings rose less than 1 percent. Though growth has slowed, activity remains at a healthy level. Again, these trends stack up quite nicely with respect to the nation where the number of permits authorized actually fell during the second quarter. This continues to be surprising in light of the rather disappointing performance of the Pennsylvania economy as of late relative to the U.S., solidifying construction's role as a bright spot in the State's economy.

Although very little information is available, prices for new houses do appear to be on the rise in Pennsylvania. Whereas permit valuations do not necessarily reflect the market valuation of new housing, the degree to which permit valuations are rising or falling is a good proxy for changes in prices.

GROWTH IN PA SINGLE-FAMILY PERMIT
VALUATIONS AND AUTHORIZATIONS
(percent change from year ago)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

As shown in the accompanying chart, total permit valuations for single-family homes have been rising considerably faster than the absolute number of authorizations. Hence, it is safe to say that housing prices are on the rise, despite the lack of market price data.

Pennsylvania housing units authorized in permit issuing places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IIQ	17,902	9.2	15,841	10.4
1987:IQ	11,264	43.4	8,931	31.4
1987 YTD	29,166	20.2	24,772	17.1

Source: U.S. Dept. of Commerce, Bureau of the Census

Value of Pennsylvania housing units authorized in permit issuing places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IIQ	1,157,348	25.0	1,078,087	26.8
1987:IQ	670,900	63.0	584,829	54.1
1987 YTD	1,828,248	36.7	1,662,916	35.2

Source: U.S. Dept. of Commerce, Bureau of the Census

Around the State

Northeastern Quarter

Allentown-Bethlehem

It was the same old story in the Allentown-Bethlehem area in the second quarter as sluggishness in manufacturing partially offset a solid performance in service-producing industries. While one is hard-pressed to imagine the difficulties facing the region in the absence of nonmanufacturing, there are concerns about the long-run impact of the trade-off between manufacturing and service-producing jobs.

There were a record high 193,000 nonmanufacturing jobs in the four-county region in the second quarter. Job levels have advanced 4.8 percent compared to the first half of 1986, a gain well in excess of the Commonwealth's 3.3 percent increase. The two largest industries, trade and services, have registered job gains equal to 4.7 and 5.1 percent, respectively. Job levels have increased partly in response to the population inflow from the New York/New Jersey metropolitan area. Construction activity appears to be holding up well. On a year-to-date basis, contract awards were up more than one-quarter in value on both the residential and nonresidential sides. Construction jobs have averaged 11,400 so far this year compared to 9,800 a year ago.

The situation in manufacturing is not so encouraging. There were 76,400 jobs in these industries during the April-June period, a record low. After adjusting for seasonality, job levels have declined in 12 consecutive quarters. Durable goods industries have been hard-hit, losing 7.6 percent of their jobs during the first six months of this year relative to the year-ago period. Nondurable goods jobs declined 3.4 percent. The average factory workweek averaged 39.2 hours in the second quarter compared to 40.7 hours for all of Pennsylvania.

Normally during the second quarter, resident employment rises by 5,300 for seasonal reasons. This year's advance, 9,400, was stronger than usual and pushed employment to a record high after seasonal adjustment. This helped lower the unemployment rate by 0.3 percentage point to 4.5 percent, seasonally adjusted, its lowest reading since 1974. Labor force declines, which are not indicative of a strong economy, contributed to recent reductions in the jobless figures, although some improvement was recorded in the second quarter.

While a good deal of the news of late has been encouraging, long-run trends show the economy growing at a pace similar to the State's. Since the first half of 1983, employment has grown 10 percent in the metro area compared to 10.7 percent Statewide. Nonagricultural job growth over the same period, 8.5 percent, exceeds growth in the Commonwealth by just 0.1 percentage point. Although this represents a major improvement over the early 1980s, economic growth falls considerably short of a boom and many problems remain to be solved.

Scranton-Wilkes-Barre

Like the situation throughout much of the Commonwealth, some gains in economic activity were registered in the second quarter in the Scranton-Wilkes-Barre region, but it is hard to be overly excited about recent trends. This is despite an unemployment rate which, at a seasonally adjusted 6.7 percent for the April-June period, stood 0.7 percentage point below the first quarter and 2 points below a year ago. Although employment, at 314,800, was up nearly 10,000 from the January-March reading, it is down for the year as a whole. During last year's second quarter, resident employment stood at 316,300. Hence, much of the year-to-year drop in the jobless rate is the result of a decline in the labor force of 9,400.

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	297.2	109	108	109
Unemployed, no. of residents	14.3	67	72	126
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	311.5	106	105	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	269.4	105	104	103
Nonmfg. only, no. of jobs	193.0	130	128	123
Mfg. only, no. of jobs	76.4	71	71	74
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	102	103	101
Industrial electric power sales				
Metropolitan area	***	106	105	107
Allentown	***	99	98	99
Bethlehem	***	112	111	114
Easton	***	108	104	102
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	172.3	+29		
Nonresidential contracts only	65.9	+26		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 2 Q '87	Average monthly index seas. adj. (1977 = 100) 2 Q '87	1 Q '87	2 Q '86
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	314.8	112	111	112
Lackawanna County[2]	97.1	108	107	109
Luzerne County[3]	141.3	107	106	108
Unemployed, no. of residents				
Metropolitan area	22.3	70	80	96
Rate, seasonally adjusted	6.7			
Lackawanna County[2]	6.0	57	71	83
Luzerne County[3]	11.5	76	87	103
Civilian labor force, no. of residents				
Metropolitan area	337.1	108	108	110
Lackawanna County[2]	103.1	103	104	106
Luzerne County[3]	152.8	104	104	107
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	285.6	109	109	108
Nonmfg. only, no. of jobs	213.5	120	119	118
Mfg. only, no. of jobs	71.9	86	86	87
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	109	104	108
Lackawanna County[2]	***	122	119	120
Luzerne County[3]	***	98	95	95
Hazleton	***	91	87	87
Wilkes-Barre	***	102	98	100

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	94.0	− 12
Nonresidential contracts only	75.3	+ 79

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

The five-county region continues to add jobs in nonmanufacturing. The 213,500 jobs in this sector represent an all-time high. Service-producing establishments continue to fuel the expansion. For the first six months of 1987, job levels in these industries were up 2.1 percent compared to a 3.1 percent advance for the State as a whole.

These gains continue to be counteracted by difficulties in manufacturing where the 71,900 second quarter positions translate into the lowest reading on record after adjusting for normal seasonal ups and downs. In 1977, these industries accounted for 31.9 percent of all nonagricultural jobs compared to 25.4 percent in the first half of this year. At 38.6 hours, the region's average factory workweek, the lowest among the State's 15 metro areas, appears to have plenty of room to increase before it will put pressure on job levels. However, the workweek is held back by a traditionally short workweek in the apparel industry (33.8 hours so far this year). On the durable goods side, the workweek is very similar to that for the State.

So far this year, construction jobs are up about 5.7 percent from a year ago in averaging 10,300 per month. The number of jobs in these industries, however, fall short of the levels maintained in the mid 1970s. Residential construction contracts totalled $94 million during the first six months of the year, off 12 percent from a year ago. A 79 percent rise left nonresidential contract values at $75.3 million.

While the overall economy of the region has certainly made great strides since the early 1980s, considerable room remains for improvement. Until activity becomes more balanced, however, it is doubtful that a significant growth spurt will appear. At the same time, those sectors that are strong, i.e., service-producing and construction, should keep the economy moving forward, albeit at a subdued pace.

Williamsport

The Williamsport regional economy continued on the long road back from the recessions of the early 1980s during this year's second quarter. Furthermore, the Lycoming County economy is one of only a handful in the State in which nearly all sectors are taking part in the recovery. Still, room remains for improvement.

Perhaps the best news is found on the employment front where the 53,300 residents counted as employed in the April-June period translates into an all-time high after adjustment for normal seasonal variations. Whereas employment in the Commonwealth has advanced 0.3 percent so far this year, the gain in the Williamsport region registered 1.5 percent. On the negative side, employment growth has slowed considerably relative to the 5.5 percent gain in 1986.

Second quarter's gain in employment, 2,900 from the first quarter before seasonal adjustment, was strong enough to absorb an increase of 1,900 in the labor force and reduce the number of unemployed by 1,000. The end result was an unemployment rate in the area estimated to be 4.8 percent after seasonal adjustment, down 1 percentage point from the first quarter and the lowest reading since 1973.

Unlike the situation throughout much of Pennsylvania, manufacturing is making a contribution to employment growth in the region. Although the 16,200 positions in these establishments fall well below levels which prevailed throughout the 1970s, they have increased in each of the past two quarters. During last year's second quarter, job levels stood at 15,200. A relatively high 41.7 hour average factory workweek is also helping to prop up job levels. Most new jobs, however, continue to come from nonmanufacturing. Of the 2,200 jobs added to nonagricultural payrolls so far this year, roughly 55 percent or 1,200 occurred in nonmanufacturing

Williamsport Area[1]

	Ave. mo. value 2 Q '87	Average monthly index seas. adj. (1977 = 100) 2 Q '87	1 Q '87	2 Q '86
Employment *(in thousands)*				
Employed, no. of residents	53.3	114	111	112
Unemployed, no. of residents	2.9	58	70	85
Rate, seasonally adjusted	4.8			
Civilian labor force, no. of residents	56.2	109	107	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	49.5	108	106	102
Nonmfg. only, no. of jobs	33.2	118	116	113
Mfg. only, no. of jobs	16.2	91	89	85
Hrs. worked by production workers in mfg., *ave. weekly*	41.7	107	104	103
Industrial electric power sales	***	85	84	88

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	8.9	−12
Nonresidential contracts only	3.8	−70

[1]Lycoming County

establishments. The two largest nonmanufacturing industries, trade and services, accounted for job gains of 500 and 300, respectively. Nonmanufacturing jobs have increased almost non-stop since the early 1980s to stand at a record high 33,200 in the second quarter.

Indicators of construction activity are somewhat mixed. While the value of construction contracts awarded through the first half of this year are down from a year ago, including a 70 percent drop on the nonresidential side, job levels appear to be up. In the "construction and mining" category, job levels are up about 200 so far this year.

Southwestern Quarter

Altoona

The gains realized in the Altoona region during this year's second quarter point to an economy that is expanding at a less-than-blistering pace. Should recent seasonally adjusted gains in the labor force be a sign of things to come, it is questionable whether enough jobs can be generated to reduce unemployment much further.

At 57,800, second quarter's labor force total was up a stronger-than-expected 1,800 from the previous period but the labor force remains below year-ago readings. For the first half of this year, the labor force was down 2.7 percent on an annual basis. Second quarter's 7.2 percent (unadjusted) unemployment rate represents a drop of 2.7 percentage points from a year ago. Contributing to this drop was a reduction of 1,700 residents counted as unemployed. Employment rose by only 300. These trends resulted in a 1986:IIQ-1987:IIQ drop in the labor force of 1,500. On a more positive note, the 53,700 residents counted as employed during the April-June period equals the all-time high set in the first quarters of 1979 and 1980 after discounting normal seasonal trends.

A gain of 1,200 in nonmanufacturing and a drop of 100 in manufacturing resulted in a year-over-year gain in Blair County nonagricultural job levels of 1,100 in the second quarter. Nonagricultural jobs, at 50,500 in the second quarter, fall short of the levels of the late 1970s. Nonmanufacturing jobs have advanced in eight of the past nine quarters, seasonally adjusted, and stood at 39,500 in the second quarter. Construction has been making a contribution to nonmanufacturing's strength. Jobs in the "construction and mining" category have averaged 2,500 per month so far this year, up about 300 from a year ago. At a year-to-date total of $16.8 million, nonresidential contract awards have more than doubled from the first six months of 1986. On the other hand, residential contract values have dropped 58 percent to $5.1 million.

Manufacturing job levels are holding relatively steady near an all-time low. Second quarter's job total, 11,000, is the second lowest April-June reading on record. Still, the "holding pattern" taking shape represents a more desirable situation than the almost continuous manufacturing job losses occurring in the State. Although manufacturing is not adding much to economic growth, it is not subtracting away from growth to the same degree as in the Commonwealth. Electricity sales to industry, a good barometer of industrial production, are essentially unchanged from those which prevailed at the end of the back-to-back recessions in the early 1980s. Prior to that, one must go back to the late 1960s to find electricity sales at that low of a level.

Johnstown

The economy of the Johnstown region continued showing mediocre growth in the second quarter despite being beset by several problems. Until those problems are solved, and there are no signs that they will be anytime soon, current economic conditions will probably not improve.

Of special concern is the sluggish behavior of the labor force. A healthy economy usually attracts labor force entrants. Although the Johnstown region has experienced very slight gains in the labor force in each of the past two quarters after seasonal adjustment, the trend is down. Compared to a year ago, the first half saw the labor force decline 3.4 percent, more than double the Statewide drop. In addition to the sluggish economy, other possible contributing factors include

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	53.7	103	102	103
Unemployed, no. of residents	4.2	98	107	142
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	57.8	103	102	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.5	98	98	96
Nonmfg. only, no. of jobs	39.5	103	103	100
Mfg. only, no. of jobs	11.0	84	83	85
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	104	103	101
Industrial electric power sales	***	77	76	73
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	5.1	– 58		
Nonresidential contracts only	16.8	+115		

[1]Blair County

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	85.5	89	88	88
Unemployed, no. of residents	7.7	71	73	101
Rate, seasonally adjusted	8.1			
Civilian labor force, no. of residents	93.3	87	87	90
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	78.2	88	88	86
Nonmfg. only, no. of jobs	65.1	97	97	95
Mfg. only, no. of jobs	13.0	60	61	59
Hrs. worked by production workers in mfg., *ave. weekly*	39.0	99	99	96
Industrial electric power sales	***	157	172	156
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	14.9	–47		
Nonresidential contracts only	11.7	–72		

[1]Cambria and Somerset Counties

population trends and an increase in "early" retirements.

Employment is up barely from a year ago and has yet to surpass pre-recessionary levels. However, the 85,500 employed residents represent a larger-than-normal gain of 3,500 from the first quarter. Still, it is wise not to get too excited about recent declines in unemployment in light of sluggish employment and labor force trends. The jobless rate fell a seasonally adjusted 0.3 percentage point to 8.1 percent for the quarter and more than three points over the year.

Most new jobs continue to be generated in nonmanufacturing where the 65,100 positions translate into a gain of 1,400 over 1986:IIQ. Service-producing industries have contributed greatly, but the 2.1 percent year-to-date gain falls short of the 3.1 percent advance registered in Pennsylvania. Construction appears to be doing its fair share despite a drop in construction contract values in the first half of the year. So far this year, job levels have averaged 2,600 per month, up from 2,400 during the first half of 1986.

There is some good news in manufacturing as these industries have reached a plateau in terms of jobs. In fact, the 13,000 manufacturing positions maintained in the April-June period represent a gain of 300 from 1986:IIQ. Still, job levels stand very near an all-time low, with no real prospects for significant improvement in sight.

The major structural changes which have rocked the economy over the past several years are evident in the region. A 16.7 percent manufacturing job share for the first half of 1987 is the third lowest among the 15 metro areas in the State. Likewise, a 75 percent service-producing share is exceeded by only four other regions.

Pittsburgh-Beaver Valley

While economic growth in Beaver County was minimal at best in this year's second quarter, trends in the four-county Pittsburgh region suggest that some gains were realized, but a considerable amount of slack remains. Nonagricultural job levels have held relatively steady in the Pittsburgh region since early 1983 in rising only 2.4 percent. Statewide, an 8.4 percent increase occurred. However, this masks two varying performances. As manufacturing jobs have essentially plunged to historic lows (despite two very slight seasonally adjusted gains in the past two quarters, probably due to the USX situation), nonmanufacturing has advanced to new highs. But even here, the performance of the region over the course of the current recovery has not matched the State's.

The situation in Beaver County is not as encouraging as manufacturing's losses have swamped nonmanufacturing's gains. A cessation of manufacturing job losses and a retention of their fair shares of production are extremely important to the future health of both regions. An expanding nonmanufacturing base alongside a stable manufacturing sector should allow the economy to move forward at a healthier pace. But it is much too optimistic to expect a significant rebound in manufacturing jobs. One thing in the regions' favor is a relatively high average factory workweek. In fact, Beaver County had the second highest workweek among the Commonwealth's 15 metro areas and the Pittsburgh area had the third.

In the Pittsburgh region, the jobless rate fell 1.3 percentage points from last year's second quarter to settle at a seasonally adjusted 6.9 percent in this year's April-June period. However, over the same period, employment actually fell slightly. Much the same is true in Beaver County where the jobless rate fell 3.4 points to 10.3 percent. In both areas, labor force reductions have contributed greatly to unemployment declines, which is not an especially encouraging development.

On the construction front, the signals are somewhat mixed. While contract values, for the most part, have declined recently, job levels are up. In this case, the more positive job data probably provide a better indication of underlying trends as the contract figures are subject to wide swings.

Manufacturing comes to mind when one thinks of Pittsburgh and its surrounding communities. But that stereotype is misleading. Manufacturing accounts for 15 percent of all jobs in the Pittsburgh region, a share less than that for such "service" economies as Harrisburg and Philadelphia. In Beaver County, manufacturing's job share fell from 50 percent in 1977 to 20 percent so far this year.

State College

Although construction growth may be slowing, there are few reasons to worry about economic conditions in the State Col-

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	877.3	101	101	101
Beaver County	55.5	65	65	67
Unemployed, no. of residents				
Pittsburgh[1]	66.2	104	108	125
Beaver County	6.3	100	101	138
Unemployment Rate, seas. adj.				
Pittsburgh[1]	6.9			
Beaver County	10.3			
Civilian labor force, no. of residents				
Pittsburgh[1]	943.5	102	101	103
Beaver County	61.8	67	68	72
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	857.8	98	98	97
Beaver County	50.7	66	66	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	730.3	112	112	109
Beaver County	40.9	106	106	105
Mfg. only, no. of jobs				
Pittsburgh[1]	127.4	58	57	60
Beaver County	9.9	26	26	28
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.8	n.a.	n.a.	n.a.
Beaver County	42.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	57	50	61
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	197.3	-14		
Beaver County	5.5	-57		
Nonresidential contracts only				
Pittsburgh[1]	282.0	+ 7		
Beaver County	4.0	-54		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	54.7	132	129	129
Unemployed, no. of residents	3.0	112	105	135
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	57.7	131	127	129
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.3	129	127	124
Nonmfg. only, no. of jobs	45.0	132	130	126
Mfg. only, no. of jobs	7.3	113	113	115
Hrs. worked by production workers in mfg., *ave. weekly*	39.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	118	108	108

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	33.3	−23
Nonresidential contracts only	18.9	−27

[1]Centre County

lege metro area based on trends through the second quarter. Residential construction contracts awarded during this year's first six months were valued at $33.3 million, down 23 percent from a year ago. A 27 percent reduction left nonresidential contract values at $18.9 million. Still, construction job levels have increased from a monthly average of 1,700 in the first half of last year to 1,900 so far this year.

Job levels in Centre County's nonmanufacturing establishments are rising almost continuously and stood at an all-time high of 45,000 in the second quarter after seasonal trends are discounted. The number of positions in these industries rose 4.3 percent in the first half of 1987. This exceeds the 3.3 percent growth rate for all of Pennsylvania. The two largest industries in the region, trade and services, experienced year-to-date job gains of 4.4 and 6 percent, respectively, to lead the way. These increases were stronger than those for the entire State. On the other hand, the region is not escaping the problems facing manufacturing. Second quarter's 7,300 manufacturing positions represent the lowest April-June reading since 1980. But because the manufacturing sector is quite small, these problems do not appear to be as severe as in other areas.

For the most part, the news on the employment/unemployment front is encouraging. The region's seasonally adjusted 5.1 percent jobless rate in the second quarter remained the lowest in western Pennsylvania. Employment is still on an upward trend, but growth has slowed. Last year, employment grew 4.6 percent. So far this year, employment is up 1.3 percent. Still, it settled at an all-time high of 54,700 in the second quarter. Likewise, the labor force has also leveled off, albeit at a record high.

So, while growth has slowed somewhat, the State College regional economy is operating at a historically high level. The only factor that could really be considered a negative is that much of the growth being realized in the region is concentrated in the immediate State College area. Other parts of Centre County lag behind.

Northwestern Quarter

Erie

Without a doubt, economic conditions in the Erie regional economy have improved in recent years. But like the situation in much of the rest of Pennsylvania, economic activity has reached a plateau and has been stuck in neutral for much of the first half of this year.

Unemployment in the region has dropped considerably. Second quarter's seasonally adjusted unemployment rate, 7.2 percent, was less than one-half its level of a few years ago and was down 1.6 points from a year ago. During the January-June period, the number of unemployed fell 1,600 below a year ago. However, employment fell by the same amount. Therefore, the drop in unemployment so far this year is attributable to a drop in the labor force, which is not a healthy development. In fact, the labor force is essentially unchanged from its level at the end of the recession. Statewide, it has grown 1.9 percent.

Nonmanufacturing establishments continued to operate with a record number of workers in the second quarter after seasonal adjustment. There were 76,500 nonmanufacturing positions in the period. The service-producing industries are fueling the expansion and have grown 2 percent so far this year. This trails the 3.1 percent increase for Pennsylvania. Construction is contributing as jobs have averaged 3,100 per month, up from 2,800 a year ago. Contract values for both residential and nonresidential projects are up also.

The news coming from manufacturing remained cloudy. Despite stronger-than-normal job advances in May and June, jobs remain below a year ago. The 34,100 manufacturing positions maintained in the second quarter is the second lowest total on record. On the durable goods side, the region has lost jobs at more than double the Statewide pace so far in 1987. On the other hand, nondurable goods producers have added workers at a 4.4 percent annual clip compared to a Statewide decline.

Manufacturing's difficulties are not surprising in light of the problems facing these industries, most of which are

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	116.7	105	105	106
Unemployed, no. of residents	9.8	102	108	126
Rate, seasonally adjusted	7.2			
Civilian labor force, no. of residents	126.5	105	105	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	110.7	100	100	99
Nonmfg. only, no. of jobs	76.5	113	112	110
Mfg. only, no. of jobs	34.1	79	80	82
Hrs. worked by production workers in mfg., *ave. weekly*	41.5	102	102	102
Industrial electric power sales	***	108	100	94

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	33.6	+24
Nonresidential contracts only	31.7	+10

[1]Erie County

beyond the control of state and local officials. At best, we may see a slowing in job losses. More announcements similar to two made recently relating to expansions and increased orders for local manufacturers are needed to add stability, although their impact on jobs will be minimal.

Sharon

Trends in the Sharon region were varied in the second quarter, but it is safe to say that the positives slightly outweigh the negatives, resulting in mediocre growth. Nonagricultural job levels rose, for once aided by both manufacturing and nonmanufacturing. Unfortunately, job levels fall short of those from the 1975-1982 period, indicating that there is some slack in the economy.

The seasonally adjusted gain in manufacturing job levels was the first since 1985:IVQ as job levels settled at 9,200. Still, these jobs fell 7 percent during the first six months of 1987, so it is too early to think that losses will soon subside. The structure of the Mercer County economy has changed in recent years as manufacturing accounts for 22.3 percent of all nonagricultural jobs compared to 36.1 percent in 1977. While some contend that this diversification has made the economy more "recession-resistant," there are concerns about the wage differentials between the "new" jobs and the "old" jobs.

The best news comes from nonmanufacturing as jobs rose for the twelfth straight quarter after adjusting for seasonality. About 32,300 positions were maintained in these industries in the second quarter for a record high. The year-to-date job gain in this sector, 4.4 percent, exceeds the advance for the State. Jobs in trade and services have grown 5.5 and 6.9 percent, respectively, in 1987's first half. Contract values for construction projects fell in both the residential and nonresidential categories during the first six months of this year. But construction jobs, probably a more reliable indicator, are up.

These trends helped push down second quarter's seasonally adjusted jobless rate to 6.5 percent, its lowest reading since 1979, though some problems remain. So far this year, employment is up a slim 0.1 percent. Over the past four years, employment has grown 3.9 percent, considerably below Pennsylvania's 10.7 percent increase. The labor force appears to be on a long-run downward trend, or at best, has held fairly steady in recent years. This has helped to "artificially" lower unemployment in the region as many of those who left the labor force would have been counted as unemployed had they remained.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The news in the four-county Harrisburg-Lebanon-Carlisle area was mostly positive during the second quarter. Of special importance is that the region is outperforming the State as a whole in just about every measure of economic activity. In fact, this is true for much of southeastern Pennsylvania.

Employment of the region's residents totaled 296,000 in the second quarter for an all-time high. Through the first six months of 1987, employment grew by 2.7 percent, identical to last year. This is encouraging in that growth has dropped in the Commonwealth. Labor force growth, however, has slowed recently, totalling just 0.6 percent so far this year. Throughout the Commonwealth, the labor force has declined.

Continued strength in employment combined with a stable labor force lowered second quarter's unemployment rate about 2 percentage points from last year. The seasonally adjusted 3.2 percent reading for the period is the second lowest among the State's 15 metro areas.

More good news is found in manufacturing where job levels are holding steady. The 50,800 jobs in these industries during the second quarter represent an annual gain of 900. Both durable and nondurable goods industries have realized slight job gains. Industrial power sales, an indicator of production trends, fell in the second quarter, the first decline since 1986:IQ. However, the trend is still up.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '87	*2 Q '87*	*1 Q '87*	*2 Q '86*
Employment *(in thousands)*				
Employed, no. of residents	46.3	96	94	95
Unemployed, no. of residents	3.4	80	99	100
Rate, seasonally adjusted	6.5			
Civilian labor force, no. of residents	49.6	95	94	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	41.5	91	90	90
Nonmfg. only, no. of jobs	32.3	111	109	106
Mfg. only, no. of jobs	9.2	56	55	60
Hrs. worked by production workers in mfg., *ave. weekly*	41.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	111	94	101
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	3.7	-63		
Nonresidential contracts only	4.2	-73		

[1]Mercer County

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '87	*2 Q '87*	*1 Q '87*	*2 Q '86*
Employment *(in thousands)*				
Employed, no. of residents	296.0	118	117	114
Unemployed, no. of residents	9.9	64	66	106
Rate, seasonally adjusted	3.2			
Civilian labor force, no. of residents	306.0	115	114	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	293.5	118	118	114
Nonmfg. only, no. of jobs	242.8	126	125	121
Mfg. only, no. of jobs	50.8	93	94	92
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	75	77	67
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	101.8	- 2		
Nonresidential contracts only	225.0	+207		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

While manufacturing is not holding the economy back to the same degree as in the State, nonmanufacturing continues to add jobs at a healthy rate. For the second quarter, 242,800 nonmanufacturing positions were maintained, another record high. Through the first six months of this year, the number of jobs in this sector has grown 4.1 percent compared to 3.3 percent for Pennsylvania. Service-producing jobs have grown 3.8 percent in providing the bulk of all new jobs.

Construction is also having a positive influence on the economy. Nonresidential contract values tripled during the first half of the year while residential awards held steady in dollar terms. Construction jobs have averaged 11,300 per month this year, up 1,100 from a year ago.

Lancaster

A strong case may be made which claims that the strongest regional economy in the Commonwealth is found in Lancaster County. Sitting at the top of the list of evidence would be the lowest jobless rate in the State, a seasonally adjusted 2.5 percent during the second quarter. Unemployment is declining at the same time as the labor force is expanding. Employment grew by 4,800 to a record high between the second quarters of 1986 and 1987. This was strong enough to absorb a rise in the labor force of 2,400 and reduce unemployment by 2,400.

So far this year, the number of jobs in the Lancaster region's nonagricultural establishments have advanced 4.6 percent as both manufacturing and nonmanufacturing made a contribution. Manufacturing job levels are running just below the record high set in 1979 despite a smaller-than-normal gain in the second quarter. This comes while the State sets a new low almost every month. Two other indicators of manufacturing's health, industrial electricity sales and the average workweek, also stood at or near record highs in the second quarter.

Nonmanufacturing jobs grew 5.5 percent during the first six months of 1987, considerably higher than the Statewide advance. These jobs have increased almost nonstop since 1983, setting a new record nearly each month, and stood at 120,200 during the April-June period. Jobs in the largest industry, trade, have grown 4.1 percent on a year-to-date basis. Construction is more than holding its own as job levels have increased 13.6 percent this year and nonresidential construction contracts have advanced by one-third in value. However, residential contract awards have dipped by about one-fifth compared to the first half of 1986.

The Lancaster region is not usually thought of as a manufacturing economy but the 33.6 percent share of all nonagricultural jobs accounted for by these industries is the second largest share among Pennsylvania's 15 metropolitan areas. At the same time, the 60.7 percent share for service-producing industries is the second lowest.

Philadelphia

The Philadelphia region continued posting impressive numbers during the second quarter as growth in the service-producing area drove the economy. It has been the positive trends in this eight-county region and the rest of southeastern

Lancaster Area[1]

	Ave. mo. value 2 Q '87	Average monthly index seas. adj. (1977 = 100) 2 Q '87	1 Q '87	2 Q '86
Employment *(in thousands)*				
Employed, no. of residents	204.9	131	129	128
Unemployed, no. of residents	5.3	66	58	96
Rate, seasonally adjusted	2.5			
Civilian labor force, no. of residents	210.2	127	125	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.1	127	126	121
Nonmfg. only, no. of jobs	120.2	141	139	134
Mfg. only, no. of jobs	59.9	105	106	103
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	102	102	101
Industrial electric power sales	***	132	128	128
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	99.7	−17		
Nonresidential contracts only	35.7	+38		

[1]Lancaster County

Philadelphia Area[1]

	Ave. mo. value 2 Q '87	Average monthly index seas. adj. (1977 = 100) 2 Q '87	1 Q '87	2 Q '86
Employment *(in thousands)*				
Employed, no. of residents	2273.7	121	119	119
Unemployed, no. of residents	110.2	60	61	73
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	2383.8	116	114	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2157.1	118	117	114
Nonmfg. only, no. of jobs	1777.5	128	127	123
Mfg. only, no. of jobs	379.3	85	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	103	103	101
Industrial electric power sales	***	105	100	104
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	865.4	+ 3		
Nonresidential contracts only	906.6	+44		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading Area[1]

	Ave. mo. value 2 Q '87	Average monthly index seas. adj. (1977 = 100) 2 Q '87	1 Q '87	2 Q '86
Employment *(in thousands)*				
Employed, no. of residents	159.9	118	117	117
Unemployed, no. of residents	8.4	81	84	134
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	168.3	116	115	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	148.0	112	112	109
Nonmfg. only, no. of jobs	99.8	123	122	118
Mfg. only, no. of jobs	48.1	95	95	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	104	105	103
Industrial electric power sales	***	133	129	126
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	49.5	−25		
Nonresidential contracts only	18.9	−61		

[1]Berks County

Pennsylvania which have offset weaknesses elsewhere to drive the State's economy forward at a modest pace.

While nonagricultural jobs have grown at a 3 percent clip so far this year, service-producing industries have increased the number of positions on payroll by 3.7 percent. Both increases exceed those for the State. Along with some help from construction where job levels are up 13.5 percent from the first half of 1986 and the value of contracts awarded show gains, especially on the nonresidential side, this brought about the 22*nd* consecutive quarterly gain in nonmanufacturing job levels after discounting seasonal trends. All told, there were 1.78 million nonmanufacturing positions during the April-June period.

Manufacturing continues to lose jobs, just as it has for the past 30 months following a brief recovery from the recessions of the early 1980s. Over that period, however, the job decline has not been as severe in the region as it has in the State. Still, the 379,300 second quarter positions represent an all-time low after adjusting for seasonality and job levels have declined about one-third from their peak in the mid 1960s. This year, durable goods industries have lost 3 percent of their jobs while nondurable goods jobs fell 0.8 percent.

Despite these difficulties, the overall favorable trends in the economy have resulted in a solid showing on the employment/unemployment front. Through the first six months of this year, resident employment has expanded at a 1.4 percent annual rate. Although this represents a fall-off in growth from last year's 3.9 percent gain, it is better than the 0.3 percent increase experienced in the State. Furthermore, over the course of the current recovery, employment gains in the Philadelphia area have been considerably stronger than in Pennsylvania.

These gains have helped drive down unemployment. The seasonally adjusted 4.5 percent jobless rate in the second quarter was the lowest reading since the first half of 1970.

It is quite unlikely that economic activity in the region will decline anytime soon. Growth may slow, but the economy will remain operating at a historically high level. One development that would help is a stabilization in the manufacturing sector, thereby taking some of the pressure off the service-producing industries.

Reading

Economic conditions in the Reading area remained positive in the second quarter, but a few soft spots remain which need to be monitored. Despite these concerns, there is nothing on the horizon indicating that the economy will run into major difficulties in the near future.

Like the situation in several other regions of the Commonwealth, employment and labor force growth slowed through the first half of 1987 in Berks County. Employment expanded 1.3 percent between the first six months of 1986 and 1987 following a 2.8 percent gain last year. Still, the 159,900 residents counted as employed in the second quarter represent a record high after normal seasonal trends are factored out. At the same time, the labor force declined 1.6 percent during the first half of this year after growing 1.8 percent in 1986. Second quarter growth did pick up slightly however.

York Area[1]

	Ave. mo. value 2 Q '87	Average monthly index seas. adj. (1977 = 100) 2 Q '87	1 Q '87	2 Q '86
Employment *(in thousands)*				
Employed, no. of residents	196.8	128	127	127
Unemployed, no. of residents	8.8	81	75	114
Rate, seasonally adjusted	4.0			
Civilian labor force, no. of residents	205.7	125	124	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	168.0	118	118	115
Nonmfg. only, no. of jobs	110.8	134	133	129
Mfg. only, no. of jobs	57.1	96	96	97
Hrs. worked by production workers in mfg., *ave. weekly*	42.3	103	103	101
Industrial electric power sales	***	109	113	110
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	69.0	0		
Nonresidential contracts only	35.8	-25		

[1]Adams and York Counties

Because of this rather sluggish performance on the labor force front, the 2.8 percentage point drop from 1986:IIQ in the jobless rate to a seasonally adjusted 4.3 percent in the April-June period should be viewed with caution.

While manufacturing continues to lose jobs in the State, the situation may be bottoming out in the Reading area. In fact, the 48,100 positions in these establishments in the second quarter translate into a gain of 500 jobs from a year ago. All of the gains which have occurred this year have been in the nondurable goods industries. Although manufacturing may be stabilizing, it is best to avoid being too optimistic about future prospects. Job levels remain just barely above all-time lows and are 11.9 percent below pre-recessionary readings. It is quite unlikely that they will rise significantly anytime soon, but even if they hold steady it will be an improvement over recent trends.

The situation is much more encouraging on the nonmanufacturing side where job levels continue to advance, just as they have almost continuously since 1983. Second quarter estimates show that there were 99,800 nonmanufacturing positions in the region for another record high. So far this year, nonmanufacturing job levels have increased 4.8 percent above year-ago readings compared to 3.3 percent for the entire State. In the largest industry, trade, jobs have advanced at a 3.7 percent annual clip. Although the value of construction contracts awarded declined for both residential and nonresidential projects in this year's first half, these data are subject to wide swings and the best guess is that activity is up, in part based upon a rise in jobs.

York

The economy of the York metro area continued to expand in the second quarter. Although it would be helpful if manufacturing could contribute more to economic growth, should these industries just hold their own, which they appear to be doing, nonmanufacturing will probably generate enough new activity to keep the economy moving forward.

During the second quarter, job levels in nonmanufacturing establishments stood at 110,800, a new record. After ad-

justing for seasonality, the number of positions in these industries have increased 19 straight quarters. For the year, nonmanufacturing jobs are up 4 percent. As elsewhere, service-producing industries are making the greatest contribution. Of the 4,200 jobs added to nonmanufacturing payrolls this year, 3,500 have come in these establishments.

The remainder have come in construction as job levels averaged 8,500 per month during this year's first half, up from 7,800 in 1986. Hence, the behavior of contracts awarded, unchanged on the residential side and down 25 percent on the nonresidential side on a year-to-date basis, probably does not provide an adequate overview of trends.

Although the growth in manufacturing is not as robust, these industries do appear to be better off in the two-county region than in the Commonwealth. So far this year, jobs are off about 700. However, over the past four years, which essentially encompasses a recovery period for the overall economy, job levels have increased 3.5 percent in the region compared to a 4.6 percent decline in Pennsylvania. Although they have fluctuated, industrial power sales, which are a good measure of production trends, have been on a general upward trend since 1983 and stand just below record high readings. Also, the average factory workweek, 42.3 hours, is the highest among the State's 15 metro regions.

At a seasonally adjusted 4 percent, second quarter's unemployment rate was the third lowest in the State and falls 1.5 percentage points below a year ago. Over that same period, employment rose by 1,200 while unemployment fell by 3,200. Hence, a good deal of the drop in unemployment is attributable to a drop of 2,000 in the labor force, which does not usually occur in a sound economy. After seasonal ups and downs are discounted, employment stands at a record high in the region.

— *William D. Anderson*

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